

Message Text

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ORIGIN AGRE-00

INFO OCT-01 ISO-00 ARA-10 EUR-12 EA-07 NEA-10 IO-13
SIG-01 FEA-01 CEA-01 CIAE-00 COME-00 DODE-00
EB-07 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
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ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /129 R

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FM SECSTATE WASHDC
TO AMEMBASSY OTTAWA PRIORITY
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C O R R E C T E D COPY - PARA 7 AFTER 2ND (B) PARA LINE NINE OMMITED
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MANILA - FOR USDA ASSISTANT SECRETARY HATHAWAY; USMTN,USEEC

E.O. 11652: N/A

TAGS: EAGR

SUBJECT: FORMAL STATEMENT OF U.S. DELEGATE TO LONDON
MEETING INTERNATIONAL WHEAT COUNCIL, JUNE 28

FOR AGRICULTURAL ATTACHES

FOLLOWING IS OFFICIAL STATEMENT TO BE DELIVERED BY

MR. BRICE MEEKER AS U.S. DELEGATE TO FORTHCOMING REGULAR SESSION OF INTERNATIONAL WHEAT COUNCIL. PLEASE PASS FULL TEXT TO APPROPRIATE HOST GOVERNMENT NOT BEFORE REPEAT NOT BEFORE JUNE 23. LONDON SHOULD PASS NOT TO U.K. OFFICIALS BUT SHOULD PASS IMMEDIATELY TO IWC SECRETARIAT TO ALLOW SUFFICIENT TIME FOR THEIR TRANSLATION, ETC. IN PASSING THIS STATEMENT TO OFFICIALS CONCERNED, PLEASE EMPHASIZE THAT IT IS FOR THEIR INFORMATION AND USE ONLY AND IS NOT TO BE FURTHER DISTRIBUTED OR RELEASED TO CHANNELS WHERE PUBLIC DISSEMINATION MIGHT RESULT PRIOR TO JUNE 28.

BEGIN TEXT:

THE UNITED STATES HAS THREE BASIC OBJECTIVES FOR THE IMPROVEMENT OF INTERNATIONAL TRADE IN WHEAT -- OBJECTIVES THAT WE HOPE ARE SHARED BY ALL WHEAT TRADING NATIONS. THEY ARE:

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(A) TO MODERATE PRICE SWINGS;

(B) TO REDUCE TRADE BARRIERS;

(C) TO ENHANCE FOOD SECURITY, ESPECIALLY OF POOR NATIONS.

WE BELIEVE -- AND THE FAILURES OF THE PAST BEAR THIS OUT -- THAT THESE OBJECTIVES CAN ONLY BE REACHED THROUGH NEW FORMS OF SHARED ACTION. WE ALSO BELIEVE THAT THIS ORGANIZATION MUST TAKE THE INITIATIVE IN DEVISING NEW FORMS OF SHARED ACTION FOR INCORPORATION INTO A NEW INTERNATIONAL WHEAT AGREEMENT. AND WE BELIEVE THE TIME TO BEGIN IS NOW.

THE CARTER ADMINISTRATION ALREADY HAS INDICATED TO THE WORLD COMMUNITY, IN MANY FORMS AND SEVERAL FORUMS, THAT IT WANTS TO WORK WITH OTHER NATIONS TOWARD DEVELOPING AGREEMENTS DESIGNED TO EXPAND AND IMPROVE THE FRAMEWORK FOR INTERNATIONAL TRADE IN AGRICULTURAL PRODUCTS.

THIS HAS BEEN A CENTRAL THEME OF SECRETARY OF AGRICULTURE BERGLAND IN CONFERENCES WITH OTHER MINISTERS IN WASHINGTON, AT MEETINGS IN OTTAWA, AND IN THE FAR EAST.

THIS IS A NEW DIRECTION IN U.S. POLICY. WE ARE GIVING PRIORITY ATTENTION TO ACHIEVING AN ARRANGEMENT ON WHEAT THAT WOULD PROVIDE FOR THE EXPANSION AND LIBERALIZATION OF TRADE, MODERATION OF PRICE FLUCTUATIONS, AND INCREASED FOOD SECURITY, INCLUDING AN INTERNATIONAL SYSTEM OF NATIONALLY HELD GRAIN RESERVES.

TO DO THIS, THE UNITED STATES PROPOSES EXPLORATION OF AN AGREEMENT WHICH WOULD INCORPORATE THE FOLLOWING CONCEPTS:

(A) THAT ALL MAJOR GRAIN TRADING NATIONS -- EXPORTERS
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AND IMPORTERS -- WOULD ACCEPT MEANINGFUL OBLIGATIONS FOR RESERVE STOCKS, WITH COMMON GUIDELINES FOR ACQUISITION AND RELEASE.

(B) THAT THE PARTICIPATING NATIONS AGREE TO MEASURES TO FACILITATE ADJUSTMENT OF CONSUMPTION AND PRODUCTION IN RESPONSE TO WORLD SUPPLY CONDITIONS.

THE OBJECTIVE SHOULD BE TO REDUCE EXTREME PRICE FLUCTUATIONS AROUND THE LONG-TERM EQUILIBRIUM PRICE. WE DO NOT WANT AN AGREEMENT THAT WOULD ATTEMPT TO INCREASE THE AVERAGE PRICE OF WHEAT ABOVE ITS LONG-TERM EQUILIBRIUM LEVEL, THAT IS, THE LEVEL REQUIRED TO PROVIDE

REASONABLE RETURNS TO EFFICIENT PRODUCERS.

IN SEPTEMBER 1975 THE UNITED STATES TABLED A PROPOSAL FOR AN INTERNATIONAL RESERVE STOCKS SYSTEM. AT THAT TIME, WE ADVOCATED THE USE OF QUANTITATIVE TRIGGERS FOR COORDINATED STOCK ACTIONS. WE ARE NOW PREPARED TO COOPERATE IN DEVELOPING A RESERVES AGREEMENT IN WHICH WORLD PRICES WOULD BE A TRIGGER FOR STOCK ACTIONS.

WE HOPE THIS WILL HELP MOVE NEGOTIATIONS FORWARD.

THERE DOES SEEM TO BE CONSENSUS ON THE USEFULNESS OF COORDINATED RESERVE STOCKS BASED ON PRICE INDICATORS, BUT THIS IS NOT ENOUGH. WE STILL MUST DETERMINE WHETHER A PRACTICAL AND EQUITABLE SYSTEM CAN BE DEVELOPED, TAKING INTO ACCOUNT THE DIFFERENCE IN SYSTEMS OF THE COUNTRIES THAT WOULD PARTICIPATE. UNTIL WE FIND OUT WHETHER IT CAN, MEANINGFUL NEGOTIATIONS ON RESERVES FOR PRICE STABILIZATION PURPOSES CANNOT BEGIN.

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THERE ALREADY HAS BEEN SOME TECHNICAL EXAMINATION OF THIS QUESTION, BOTH IN THE WORK OF THE PREPARATORY GROUP TO DATE, AND IN SOME INFORMAL SESSIONS RECENTLY HELD BETWEEN CERTAIN WHEAT EXPORTING COUNTRIES. HOWEVER, IT IS OUR VIEW THAT FURTHER EXAMINATION IN THE NEXT TWO OR THREE MONTHS IS ESSENTIAL BEFORE A JUDGMENT

CAN BE MADE AS TO WHETHER A BASIS EXISTS FOR NEGOTIATION
OF RESERVES PROVISIONS.

AS MANY OF YOU KNOW, THE UNITED STATES HAS TAKEN STEPS
TO CREATE A LIMITED DOMESTIC RESERVE. UNDER THIS
PROGRAM, PRODUCERS WILL CARRY MORE GRAIN IN PERMANENT
STORAGE THAN WOULD OTHERWISE BE THE CASE. THE FRAME-
WORK ESTABLISHED BY THIS NEW STEP WAS IN LARGE PART
DESIGNED TO FACILITATE U.S. PARTICIPATION WITH OTHER
NATIONS IN AN INTERNATIONAL SYSTEM OF RESERVES. THE
U.S. COULD BE FLEXIBLE IN ADJUSTING ITS RESERVE PROGRAMS
TO ACCOMMODATE A SYSTEM FOR JOINT INTERNATIONAL ACTIONS.

RESERVE STOCKS ARE A FIRST LINE OF DEFENSE AGAINST
EXCESSIVE PRICE SWINGS. BUT WE MUST ALSO RECOGNIZE
THAT NATIONAL POLICIES WHICH PREVENT ADJUSTMENTS OF
CONSUMPTION AND PRODUCTION IN RESPONSE TO WORLD SUPPLY
CONDITIONS ARE AN IMPORTANT SOURCE OF PRICE INSTABILITY
IN WORLD MARKETS. THEREFORE, IF AN EFFORT TO REDUCE
PRICE SWINGS IS TO BE DURABLE OVER TIME, WE MUST ALSO
DEVELOP COOPERATIVE MEASURES TO ALLOW SUCH ADJUSTMENTS.
TWO PARTICULAR AREAS OF POTENTIAL COOPERATION DESERVE
SPECIAL ATTENTION -- UTILIZATION OF WHEAT FOR FEED AND

INDUSTRIAL PURPOSES, AND THE AVAILABILITY OF SUPPLIES
TO THE WORLD MARKET.

THE UTILIZATION OF WHEAT FOR FEED AND INDUSTRIAL PURPOSES
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SHOULD BE ALLOWED TO INCREASE WHEN WHEAT SUPPLIES
BECOME TEMPORARILY BURDENSOME AND TO DECREASE WHEN
SUPPLIES ARE TIGHT. THIS WILL ASSURE THAT MORE WHEAT
IS AVAILABLE FOR ESSENTIAL HUMAN CONSUMPTION, ESPECIALLY
IN DEVELOPING COUNTRIES, DURING PERIODS OF SHORTAGE.
THROUGH JOINT ACTIONS, THE MAGNITUDE OF SUCH ADJUSTMENTS
COULD BE ENLARGED. THIS WOULD BRING GREATER STABILITY
AND SECURITY TO THE WORLD MARKET. WE BELIEVE THIS
SHOULD BE AN ADDITIONAL AREA FOR NEGOTIATION.

WITH RESPECT TO THE AVAILABILITY OF SUPPLIES TO THE
WORLD MARKET, WE MUST ALSO CONSIDER PROVISIONS IN A NEW
AGREEMENT ON THE APPLICATION OF EXPORT RESTRAINTS AND
PERHAPS EVEN PRODUCTION ITSELF.

THE UNITED STATES ATTACHES GREAT IMPORTANCE TO
IMPROVING THE FOOD SECURITY OF POOR NATIONS. IN OUR
VIEW, EFFECTIVE MEASURES TO REDUCE EXTREME PRICE SWINGS
IN THE WORLD WHEAT MARKET WOULD HAVE IMPORTANT BENEFITS
FOR THOSE DEVELOPING COUNTRIES THAT EITHER REGULARLY OR

OCCASIONALLY HAVE LARGE FOOD DEFICITS. THESE BENEFITS WOULD LIKELY BE GREATER THAN THOSE WHICH COULD BE EXPECTED TO RESULT FROM SOME SPECIAL MEASURES AIMED SOLELY AT DEVELOPING COUNTRIES. NEVERTHELESS, SPECIAL MEASURES FOR THESE COUNTRIES MAY BE NEEDED.

I TALKED EARLIER ABOUT THE NEW ATTITUDE OF THE UNITED STATES TOWARD THE ROLE OF PRICE IN A NEW AGREEMENT, AND I WOULD LIKE TO CLARIFY THAT ATTITUDE. PRICE SHOULD HAVE A ROLE IN INDICATING THE NEED FOR JOINT ACTION ON STOCKS AND ON MEASURES INFLUENCING UTILIZATION AND THE AVAILABILITY OF SUPPLIES. IN PREVIOUS MEETINGS OF THE PREPARATORY GROUP, THE UNITED STATES HAS CONSISTENTLY LIMITED OFFICIAL USE
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TAKEN THE POSITION THAT THE TRADITIONAL FORM OF PRICE PROVISIONS DOES NOT APPEAR CAPABLE EITHER OF BEING NEGOTIATED OR OF BEING CARRIED OUT. WE CONTINUE TO BELIEVE THAT OBLIGATORY FLOOR OR CEILING PRICES CANNOT BE BOTH EQUITABLE AND WORKABLE.

IT IS ALSO NECESSARY THAT ANY AGREEMENT ON WHEAT BE CONSISTENT WITH EFFORTS NOW UNDER WAY TO REDUCE BARRIERS TO GRAIN TRADE. AN AGREEMENT THAT USES RESERVE STOCKS TO MODERATE PRICE SWINGS CANNOT BE REGARDED AS A SUBSTITUTE FOR PERMANENT REDUCTIONS IN BARRIERS TO TRADE.

FINALLY, WE WANT TO MAKE CLEAR THAT THE U.S. WILL NOT BE IN A POSITION TO CARRY A BURDEN OF SHORT-TERM ADJUSTMENTS AS LARGE AS THAT WHICH THE WORLD BECAME ACCUSTOMED TO IN PRIOR DECADES. AT TIMES THIS BURDEN HAS TAKEN THE FORM OF EXTREME STRESS UPON THE ORDERLY FLOW OF SUPPLIES OF GRAINS FOR USERS WITHIN THE U.S. AND AT TIMES THE BURDEN HAS TAKEN THE FORM OF AN UMBRELLA IN THE WORLD MARKET UNDER WHICH OTHER EXPORTERS HAVE TAKEN A LARGE SHARE OF THAT MARKET. THESE ARE CONDITIONS WHICH CANNOT BE EXPECTED IN THE YEARS AHEAD. CONTINUED GROWTH OF WORLD TRADE, INCLUDING A REASONABLE U.S. SHARE OF SUCH GROWTH, HAVE BECOME EXTREMELY VITAL NOT ONLY TO U.S. AGRICULTURE BUT TO THE U.S. ECONOMY. A NEW AGREEMENT NEEDS TO TAKE ACCOUNT OF THESE CONCERNS AND MUST ENSURE THAT THE BURDENS OF PROVIDING GREATER STABILITY TO THE WORLD MARKET ARE EQUITABLY SHARED.

IN CONCLUSION, THE UNITED STATES BELIEVES THAT NEGOTIATION OF A NEW INTERNATIONAL WHEAT AGREEMENT MUST BE PURSUED. WE ARE OPTIMISTIC THAT PROGRESS CAN BE MADE, AND WE HOPE THAT THE COUNCIL CAN AGREE AT THIS TIME ON THE NEXT STEPS TO BE TAKEN. VANCE

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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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